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Part 1

POSTAL REORGANIZATION ACT AMENDMENTS OF 1989

JULY 26, 1989.—Ordered to be printed

Mr. FORD of Michigan, from the Committee on Post Office and Civil Service, submitted the following

REPORT

[To accompany H.R. 982 which on February 9, 1989, was referred jointly to the Committee on Government Operations and the Committee on Post Office and Civil Service]

[Including cost estimate of the Congressional Budget Office]

The Committee on Post Office and Civil Service, to whom was referred the bill (H.R. 982) to amend title 39, United States Code, with respect to the budgetary treatment of the Postal Service Fund, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The primary purpose of the bill is to provide that transactions of the United States Postal Service (USPS) shall not be included within the President's budget or the congressional budget and shall not be counted in calculating the Federal deficit, thereby moving the Postal Service "Off budget."

COMMITTEE ACTION

H.R. 982 was introduced on February 9, 1989, by the Honorable Mickey Leland. The provisions of H.R. 982 are virtually identical to provisions in H.R. 4150 (100th Congress) which provided that the Postal Service should be moved off budget. Hearings were held on H.R. 4150 on March 22 and 24, 1988 (serial number 100-43). The bill was ordered reported favorably by the Committee on Post Office and Civil Service on May 11, 1988, and passed the House by a vote of 390-16 on June 21, 1988.

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H.R. 982 was approved by the Subcommittee on Postal Operations and Services on April 13, 1989. On July 12, 1989, the Committee on Post Office and Civil Service, by a voice vote with a quorum present, ordered H.R. 982 favorably reported.

H.R. 982 was jointly referred to the Committee on Government Operations. On June 14, 1989, the Subcommittee on Legislation and National Security of that committee held a hearing on the bill. The subcommittee approved the bill on June 14. On June 27, the Committee on Government Operations ordered H.R. 982 favorably reported by a voice vote.

STATEMENT

H.R. 982 is similar to H.R. 4150 (100th Congress) which passed the House by an overwhelming margin last year. H.R. 982 differs from H.R. 4150 in that it does not contain provisions related to limits on the borrowing authority of the USPS. The provisions of H.R. 982 relating to the budgetary status of the USPS are virtually identical to corresponding provisions in H.R. 4150. The effort to remove the Postal Service from the Federal budget has broad support again this year as evidenced by the fact that 364 Members have cosponsored this bill. The committee understands a companion bill in the Senate has more than 70 cosponsors.

The reasons for moving the Postal Service "off budget" were fully set forth in the committee's report last year to accompany H.R. 4150 (see, H. Rept. 100–656 Part 1, 100th Cong., 2d. Sess., May 25, 1988). Those reasons remain. Indeed, the Postal Service has again been drawn into the congressional budget battle and there are those who are urging the Congress to adopt legislation to transfer hundreds of millions of dollars of monies paid by postal ratepayers to the Federal treasury as one means of reducing the Federal deficit. These ill-advised efforts to use postal monies to balance the Federal budget reinforce the urgent need for this legislation. The committee's comments in its 1988 report are timely today:

> The committee is convinced last year's budget actions seriously threaten the independent status of the Postal Service. The committee is convinced these actions would not have happened had the Postal Service Fund been "off budget" as it was from 1973 until October 1, 1985. The committee is convinced that keeping the Postal Service Fund on budget could result in future attempts by the administration or the Congress to use the Postal Service as a cosmetic means to reduce the Federal deficit. Finally, the committee is convinced the Postal Service Fund should be returned to its prior off-budget status because such treatment is consistent with the independent postal corporation contemplated by the Postal Reorganization Act of 1970, because under the PRA the Postal Service is required to break even and therefore it does not contribute to the Federal deficit problem, and because keeping the Fund on budget actually distorts the Federal deficit picture.

SECTION ANALYSIS

SECTION 1—SHORT TITLE

Section 1 of the bill provides that the bill may be cited as the Postal Reorganization Act Amendments of 1989.

SECTION 2—BUDGETARY TREATMENT OF THE POSTAL SERVICE FUND; CONGRESSIONAL OVERSIGHT

Section 2(a) of the bill amends title 39, United States Code, to add a new section 2009a, relating to the budgetary treatment of the Postal Service Fund (Fund). The Fund is a revolving fund established by law in the Treasury of the United States which is available to the Postal Service without fiscal year limitation to carry out its operations (39 U.S.C. 2003(a)). The purpose of new section 2009a is to provide that receipts and disbursements of the Fund shall not be considered elements of the congressional and executive budget process and shall not be taken into account in making calculations under the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings). This will ensure that the receipts and disbursements from the Fund cannot be used for purposes of artificially affecting computations of the Federal budget deficit as was done in the Omnibus Budget Reconciliation Act of 1987.

Paragraph (1) of the new section provides that receipts and disbursements of the Postal Service Fund shall not be included in the totals of the budget of the United States Government as submitted by the President, or the congressional budget (including allocations of budget authority and outlays provided therein). It is the committee's intent that, by operation of this paragraph, receipts and disbursements of the Postal Service Fund will not be included in either aggregates or functional displays included in the respective budget documents. In addition, Postal Service Fund receipts and disbursements will not be reflected in allocations accompanying congressional budget resolutions required by sections 301 and 302 of the Congressional Budget and Impoundment Control Act of 1974, as amended, for any purpose, including scorekeeping and enforcement.

Paragraph (2) provides that receipts and disbursements of the Fund shall be exempt from any general budget limitation imposed by statute on expenditures and net lending (budget outlays) of the United States Government. The committee recognizes the fact that section 255 of the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings) presently exempts the Postal Service Fund from reduction under a sequestration order issued under the terms of that Act. It is the committee's intent, in paragraph (2), to state in the broadest possible terms that all receipts and disbursements of the Fund, including disbursements for administrative expenses incurred in connection with the Fund, shall be exempt from any general budget limitations imposed by or under authority of law, including Gramm-Rudman-Hollings.

Paragraph (3) provides that receipts and disbursements of the Postal Service Fund shall not be counted for purposes of calculating the deficit under section 3(6) of the Congressional Budget and

Impoundment Control Act of 1974 for purposes of comparison with the maximum deficit amount under the Balanced Budget and Emergency Deficit Control Act of 1985, nor counted in calculating the excess deficit for purposes of sections 251 and 252 of Gramm-Rudman-Hollings for any fiscal year. Receipts and disbursements of the Fund would not be counted in calculations of the deficit included in the President's budget or the congressional budget nor would they be counted in sequestration "snapshots" under Gramm-Rudman-Hollings. Under the terms of paragraph (3), changes in the level of receipts and disbursements of the Fund would have no impact on Gramm-Rudman-Hollings deficit calculations.

Section 2(b) of the bill provides that nothing in subsection (a) of the bill shall be considered to diminish the oversight responsibilities of the Congress under section 2401(g) of title 39, United States Code, or any other provision of law, or any rule or regulation of the House or Senate, with respect to the budget or operations of the Postal Service.

Section 2(c) of the bill provides that the amendments made by section 2 shall apply with respect to budgets for fiscal years beginning after September 30, 1989. Thus, upon enactment of the bill the Postal Service would be "off budget" for fiscal year 1990 and thereafter.

COST

The cost estimate prepared by the Congressional Budget Office pursuant to sections 308(a) and 403 of the Congressional Budget Act of 1974, as amended, is set forth below:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 14, 1989.

Hon. WILLIAM D. FORD,
Chairman, Committee on Post Office and Civil Service, U.S. House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate for H.R. 982, the Postal Reorganization Act Amendments of 1989.

If you wish further details on this estimate, we will be pleased to provide them.

Sincerely,

ROBERT D. REISCHAUER,
Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 982.
2. Bill title: Postal Reorganization Act Amendments of 1989.
3. Bill status: As ordered reported by the House Committee on Post Office and Civil Service on July 12, 1989.
4. Bill purpose: H.R. 982 would exclude the receipts and disbursements of the Postal Service fund, including disbursements for administrative expenses incurred in connections with the fund, from the totals in the budget submitted by the President, the Congressional budget, and the estimates used to calculate the deficit under

the Balanced Budget and Emergency Deficit Control Act of 1985, beginning in fiscal year 1990. The bill would also exempt the Postal Service fund from sequestration.

5. Estimated cost to the Federal Government: Placing the Postal Service fund off-budget would change the mix between on-budget and off-budget spending. In years in which the Postal Service is operating at a surplus, this would have the effect of increasing the on-budget deficit; in years when disbursements by the Postal Service exceed receipts, the on-budget deficit would be reduced. The following table shows the amount of such changes, based on the baseline projections underlying the 1990 budget resolution.

[By fiscal year, in millions of dollars]

	1990	1991	1992	1993	1994
On-budget:					
Change in budget authority	−3,400	−550	−2,710	−2,020	−1,710
Change in outlays	−1,770	570	−780	670	720
Off-budget:					
Change in budget authority	3,400	550	2,710	2,020	1,710
Change in outlays	1,770	−570	780	−670	−720

The effects of this bill fall within budget function 370.

Basis of estimate: For purposes of this estimate, the budget resolution baseline has been used to show the effect of removing the Postal Service fund from the budget totals, as specified in H.R. 982. The baseline for the Postal Service fund reflects operating costs, capital expenses, borrowing, income from investments, federal appropriations, and mail revenue. It also incorporates adjustments for two future rate increases.

Under current law, the operations of the Postal Service are exempt from sequestration, but its administrative expenses are considered sequestrable resources and are subject to across-the-board reductions. H.R. 982 would exempt all Postal Service resources from sequestration. To the extent that a sequester of Postal Service resources would contribute to the savings required under sequestration, this exemption would have the effect of increasing the sequestration percentage applied to other nondefense discretionary programs in order to reach the same deficit target.

H.R. 982 would also exclude the Postal Service from the estimates used to calculate the deficit for purpose of the Balanced Budget and Emergency Deficit Control Act of 1985. (The Postal Service would be the only federal government activity so excluded.) In years when the Postal Service disbursements exceed receipts, the deficit in the budget base would be less than under current law, and the savings required by sequestration would be reduced. On the other hand, when Postal Service receipts exceed disbursements and net outlays are expected to be negative, excluding the Postal Service from the budget base would increase the savings required from sequestration, thus increasing the percentage applicable to other programs.

6. Financing mechanism: The Postal Service has authority to borrow up to $10 billion for capital and operating purposes. Out-

standing Postal debt at the end of fiscal year 1989 is estimated to be $6.2 billion. The Postal Service has borrowed almost all of this amount from the Federal Financiung Bank to fund its capital investment program, and we would expect this practice to continue. Under current scoring treatment, which we would not expect to change if the Postal Service were moved off-budget, the use of borrowing authority is reflected as budget authority when obligations are made, and as outlays when obligations are liquidated.

7. Estimated cost to State and local governments: None.

8. Estimate comparison: None.

9. Previous CBO estimate: On June 27, 1989, CBO transmitted a cost estimate for H.R. 982, as ordered reported by the House Committee on Government Operations, June 27, 1989. That bill was identical to this bill.

10. Estimate prepared by: Mitchell Rosenfeld.

11. Estimate approved by: C.G. Nuckols, for James L. Blum, Assistant Director for Budget Analysis.

Oversight

Under the rules of the Committee on Post Office and Civil Service, the Subcommittee on Postal Operations and Services is vested with legislative and oversight jurisdiction over the subject matter of this legislation. The subcommittee concluded that there is ample need and justification for enacting this legislation

The subcommittee received no report of oversight findings or recommendations from the Committee on Government Operations pursuant to clause 4(c)(2) of House Rule X.

Inflationary Impact Statement

Pursuant to clause 2(l)(4) of House Rule XI, the committee has concluded that enactment of H.R. 982 will have no inflationary impact on the national economy.

Changes in Existing Law Made by the Bill, as Reported

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

CHAPTER 20 OF TITLE 39, UNITED STATES CODE

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CHAPTER 20.—FINANCE

Sec.
2001. Definitions.
2002. Capital of the Postal Service.
2003. The Postal Service Fund.
2004. Transitional appropriations.
2005. Obligations.

2006. Relationship between the Treasury and the Postal Service.
2007. Public debt character of the obligations of the Postal Service.
2008. Audit and expenditures.
2009. Annual budget.
2009a. Budgetary treatment of the Postal Service Fund.
2010. Restrictions on agreements.

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§ 2009a. Budgetary treatment of the Postal Service Fund

Notwithstanding any other provision of law, the receipts and disbursements of the Postal Service Fund, including disbursements for administrative expenses incurred in connection with the Fund—

(1) shall not be included in the totals of—

"(A) the budget of the United States Government as submitted by the President, or

(B) the congressional budget (including allocations of budget authority and outlays provided therein);

(2) shall be exempt from any general budget limitations imposed by statute on expenditures and net lending (budget outlays) of the United States Government; and

(3) shall be exempt from any order issued under part C of the Balanced Budget and Emergency Deficit Control Act of 1985, and shall not be counted for purposes of calculating the deficit under section 3(6) of the Congressional Budget and Impoundment Control Act of 1974 for purposes of comparison with the maximum deficit amount under the Balanced Budget and Emergency Deficit Control Act of 1985 nor counted in calculating the excess deficit for purposes of sections 251 and 252 of the Balanced Budget and Emergency Deficit Control Act of 1985, for any fiscal year.

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